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August 2, 2011

**VIA E-MAIL**

Chrisna Tan  
Attorney-Advisor  
U.S. Environmental Protection Agency  
Office of Site Remediation Enforcement  
Room 4232J  
Ariel Rios South (MC 2272A)  
1200 Pennsylvania Avenue, N.W.  
Washington, D.C. 20460

**Re: BP Financial Assurances for CERCLA Sites**

Dear Chrisna:

This follows up on my June 17<sup>th</sup> e-mail and on the discussions we have had since concerning the CERCLA sites for which BP had provided letters of credit to replace the corporate guarantees from BP Corporation North America Inc. (BPCNAI). EPA had questioned the use of those guarantees because they relied upon a bond rating of one of BPCNAI's subsidiaries. The sites for which replacement assurances have been provided are: Butte Mine Flooding; Milltown; Yerington; Northwest Oil Drain; and Leviathan. You had told us that for these sites, EPA would provide a letter stating that BP was now in compliance with the financial assurance requirements. You also told us that while EPA was not currently planning on seeking penalties for any past allegations of financial assurance violations for those sites, EPA would not agree to forego seeking penalties unless BP agreed to pay a penalty. You suggested that a penalty commensurate with what BP was agreeing to pay in connection with the alleged Safe Drinking Water Act issues would be appropriate.

When we spoke in June you asked whether BP would be moving ahead to obtain a letter of credit for the Yerington 2005 UAO (in the amount of \$1.7 million, representing the remaining work under the order). Since that time, BP has obtained and provided the Agency with the letter of credit for the Yerington UAO. A copy is enclosed for your files.

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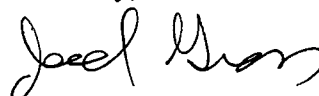
That leaves the issue of past penalty. As we have discussed, BP does not believe it should have to pay a penalty for the CERCLA sites, given that: (i) EPA's CERCLA enforcement officials were aware of BP's reliance on a subsidiary bond to meet the financial assurance requirement; (ii) in a number of cases, that reliance was specially approved by EPA; (iii) in the case of the Butte Mine Flooding Consent Decree, that reliance also was approved by the Court as part of its approval and entry of the Consent Decree; and (iv) BP's willingness to pay a significant penalty to resolve the RCRA and SDWA violations has always been premised on its not having to pay a penalty relating to the CERCLA sites.

That said, BP wants to get this matter resolved, once and for all, and proposes a compromise which should meet the interests of both parties. We understand that your reference to the SDWA penalty was to the aggregate penalty of approximately \$25,000. However, we think the more appropriate analogy is to the approximately \$2,500 per SDWA site BP is paying in penalty. Translated to the CERCLA sites, BP is prepared to pay a penalty of \$2,500 for each of four agreements that had provisions for stipulated penalties (the Consent Decree at Milltown and the AOCs at Yerington, Northwest Oil Drain, and Leviathan), for a total of \$10,000. Certainly no penalty is appropriate for the Butte Mine Flooding Consent Decree given the explicit approval of the financial assurance mechanism under the Consent Decree.

We are open to the mechanism by which this penalty would be paid. As we have also discussed, BP intends to keep the letters of credit in place for at least the remainder of 2011. In the future, the company reserves its right either to: (i) provide a corporate guaranty that meets the applicable requirements and does not rely on a subsidiary bond rating; or (ii) provide alternative forms of assurance that meet regulatory and consent decree requirements.

We hope you will find this offer acceptable and that we can move on with finalizing all of the related enforcement matters.

Sincerely,



Joel M. Gross

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Attachment

cc: Robert Genovese, BP  
Jean Martin, BP  
William Duffy, Davis Graham & Stubbs  
Richard Curley, Curley & Associates, LLC  
Manuel Ronquillo, EPA  
Cari Shiffman, EPA  
Christine McCulloch, EPA



Irrevocable Standby Letter of Credit	Credit Number : [REDACTED] Date of Issue : 7 July 2011
Beneficiary: REGIONAL ADMINISTRATOR UNITED STATES ENVIRONMENTAL PROTECTION AGENCY REGION 9 75 HAWTHORNE STREET SAN FRANCISCO, CALIFORNIA 94105 ATTN: JERE JOHNSON	Date of Expiry: 5 July 2012 Place of Expiry: AT OUR COUNTERS
	Applicant: BP CORPORATION NORTH AMERICA INC. ON BEHALF OF ATLANTIC RICHFIELD COMPANY 501 WESTLAKE PARK BOULEVARD HOUSTON, TEXAS 77079
Partial drawing: Allowed	L/C Amount: USD 1,700,000.00 Exactly US DOLLAR ONE MILLION SEVEN HUNDRED THOUSAND AND 00/100

GENTLEMEN:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [REDACTED] IN YOUR FAVOR, AT THE REQUEST AND FOR THE ACCOUNT OF THE APPLICANT, BP CORPORATION NORTH AMERICA INC., ON BEHALF OF ATLANTIC RICHFIELD COMPANY, IN THE AMOUNT OF EXACTLY ONE MILLION SEVEN HUNDRED THOUSAND U.S. DOLLARS (USD 1,700,000.00) (THE - MAXIMUM AMOUNT-). WE HEREBY AUTHORIZE YOU, THE U.S. ENVIRONMENTAL PROTECTION AGENCY (THE -BENEFICIARY-), TO DRAW AT SIGHT ON US, OUR COUNTERS AN AGGREGATE AMOUNT EQUAL TO THE MAXIMUM AMOUNT UPON PRESENTATION OF:

(1) YOUR SIGHT DRAFT, BEARING REFERENCE TO THIS LETTER OF CREDIT NO. [REDACTED] (WHICH MAY, WITHOUT LIMITATION, BE PRESENTED IN THE FORM ATTACHED HERETO AS EXHIBIT A) AND (2) YOUR SIGNED STATEMENT READING AS FOLLOWS: I CERTIFY THAT THE AMOUNT OF THE DRAFT IS PAYABLE PURSUANT TO THAT CERTAIN UNILATERAL ADMINISTRATIVE ORDER FOR INITIAL RESPONSE ACTIVITIES ANACONDA/YERINGTON MINE SITE, YERINGTON, LYON COUNTY, NEVADA, THE 'ORDER' ISSUED BY THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, REGION 9, ON MARCH 31, 2005, CERCLA DOCKET NO. 9-2005-0011, IN ACCORDANCE WITH THE AUTHORITY OF THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION, AND LIABILITY ACT ('CERCLA'). THE AMOUNT OF THIS LETTER OF CREDIT HAS BEEN DETERMINED IN ACCORDANCE WITH PARAGRAPH 38 OF THE ORDER.

THIS LETTER OF CREDIT IS EFFECTIVE AS OF 06 JULY 2011 AND SHALL EXPIRE ON JULY 5, 2012, BUT SUCH EXPIRATION DATE SHALL BE AUTOMATICALLY EXTENDED FOR A PERIOD OF ONE YEAR ON JULY 5, 2012 AND ON EACH SUCCESSIVE EXPIRATION DATE, UNLESS, AT LEAST ONE HUNDRED TWENTY (120) DAYS BEFORE THE CURRENT EXPIRATION DATE, WE NOTIFY YOU, BP CORPORATION NORTH AMERICA INC. AND ATLANTIC RICHFIELD COMPANY BY CERTIFIED MAIL THAT WE HAVE DECIDED NOT TO EXTEND THIS LETTER OF CREDIT BEYOND THE CURRENT EXPIRATION DATE. IN THE EVENT YOU ARE SO NOTIFIED, ANY UNUSED PORTION OF THE CREDIT SHALL IMMEDIATELY THEREUPON BE AVAILABLE TO YOU, WITHOUT FURTHER SHOWING NECESSARY, UPON PRESENTATION OF YOUR SIGHT DRAFT UNTIL THE LATER TO OCCUR OF THE EXPIRATION OF THIS LETTER OF CREDIT OR FOR A PERIOD OF 120 DAYS AFTER THE DATE OF RECEIPT BY ALL OF THE FOLLOWING PARTIES: YOU, BP CORPORATION NORTH AMERICA INC. AND ATLANTIC RICHFIELD COMPANY, OF SUCH NOTIFICATION, AS SHOWN ON SIGNED RETURN RECEIPTS.

Standard Chartered Bank  
1095 Avenue of the Americas  
New York, N.Y. 10036

Tel (212) 667-0700

MULTIPLE AND PARTIAL DRAWS ON THIS LETTER OF CREDIT ARE EXPRESSLY PERMITTED, UP TO AN AGGREGATE AMOUNT NOT TO EXCEED THE MAXIMUM AMOUNT. WHENEVER THIS LETTER OF CREDIT IS DRAWN ON, UNDER, AND IN COMPLIANCE WITH THE TERMS HEREOF, WE SHALL DULY HONOR SUCH DRAFT UPON PRESENTATION TO US, AND WE SHALL DEPOSIT THE AMOUNT OF THE DRAFT IN IMMEDIATELY AVAILABLE FUNDS DIRECTLY INTO SUCH ACCOUNT OR ACCOUNTS AS MAY BE SPECIFIED IN ACCORDANCE WITH YOUR INSTRUCTIONS.

ALL BANKING AND OTHER CHARGES UNDER THIS LETTER OF CREDIT ARE FOR THE ACCOUNT OF THE APPLICANT.

THIS LETTER OF CREDIT IS SUBJECT TO THE MOST RECENT EDITION OF THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS, PUBLISHED AND COPYRIGHTED BY THE INTERNATIONAL CHAMBER OF COMMERCE.

PLEASE BE ADVISED THAT OUR TRADE PROCESSING CENTER IS NOW LOCATED AT THE FOLLOWING ADDRESS:

STANDARD CHARTERED BANK  
2 GATEWAY CENTER  
13<sup>TH</sup> FLOOR  
NEWARK, NEW JERSEY 07102

CONSEQUENTLY ANY REFERENCE TO EXPIRATION OF THIS LETTER OF CREDIT AND PRESENTATION UNDER THIS LETTER OF CREDIT AT OUR COUNTERS WILL MEAN OUR COUNTERS AT THE ABOVE NEWARK ADDRESS. KINDLY SEND ALL CORRESPONDENCE AND DOCUMENTS UNDER THIS CREDIT TO OUR NEWARK ADDRESS.

IN CASE OF NEED PLEASE BE GUIDED BY THE FOLLOWING:

FOR QUESTIONS RELATING TO ISSUANCE/AMENDMENT OF COMMERCIAL AND STANDBY LETTERS OF CREDIT, AS WELL AS CLARIFICATION OF LC TERMS AND CONDITIONS, PLEASE CALL BERNADETTE EDOUARD AT (201) 706-5310, DEBORAH CLARK AT (201) 706- 5306 OR YVONNE BOAKYE (201) 706-5302 OR GENE MESINA (201) 706-5325 OR BY FAX AT (973) 474-5929 OR (973) 474-5930 OR YOU MAY EMAIL US AT NY.SBLC\_IMPISUANCE@SC.COM.

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Authorized Signature



Authorized Signature

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1095 Avenue of the Americas  
New York, N.Y. 10036

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The Principal Office of the Company is situated in England at 1 Aldermanbury Square London EC2V Reference Number ZC18

EXHIBIT A- FORM OF SIGHT DRAFT

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY SIGHT DRAFT

TO: INSERT NAME OF ISSUING BANK-  
INSERT ADDRESS OF ISSUING BANK-

RE: LETTER OF CREDIT NO. -INSERT-

DATE: -INSERT DATE THAT DRAW IS MADE-

TIME: -INSERT TIME OF DAY THAT DRAW IS MADE- THIS DRAFT IS DRAWN UNDER YOUR  
IRREVOCABLE LETTER OF CREDIT NO. -INSERT-. PAY TO THE ORDER OF THE UNITED  
STATES ENVIRONMENTAL PROTECTION AGENCY, IN IMMEDIATELY AVAILABLE FUNDS, THE  
AMOUNT OF

IN WORDS- U.S. DOLLARS (U.S.DOLLAR-.....-) OR, IF NO AMOUNT CERTAIN IS SPECIFIED,  
THE TOTAL BALANCE REMAINING AVAILABLE UNDER YOUR IRREVOCABLE LETTER OF  
CREDIT NO. -INSERT-.

PAY SUCH AMOUNT AS IS SPECIFIED IN THE IMMEDIATELY PRECEDING PARAGRAPH BY  
FEDWIRE ELECTRONIC FUNDS TRANSFER (-EFT-) TO THE ANACONDA/YERINGTON MINE  
SITE SPECIAL ACCOUNT WITHIN THE EPA HAZARDOUS SUBSTANCE SUPERFUND IN  
ACCORDANCE WITH CURRENT EFT PROCEDURES, REFERENCING CERCLA DOCKET NO. 9-  
2005-0011 AND EPA REGION AND SITE SPILL ID NUMBER ....., AS FOLLOWS:

INSERT SPECIFIC SPECIAL ACCOUNT WIRING INSTRUCTIONS AND INFORMATION-.

THIS SIGHT DRAFT HAS BEEN DULY EXECUTED BY THE UNDERSIGNED, AN AUTHORIZED  
REPRESENTATIVE OR AGENT OF THE UNITED STATES ENVIRONMENTAL PROTECTION  
AGENCY, WHOSE SIGNATURE HEREUPON CONSTITUTES AN ENDORSEMENT.

BY: ..... -SIGNATURE-  
..... -NAME-  
..... -TITLE-

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